

Message Text

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ACTION EB-07

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FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 3463

INFO AMEMBASSY BRASILIA

UNCLAS RIO DE JANEIRO 1014

E. O. 11652: N/A

TAGS: BEXP, BR

SUBJ: GOB SUSPENSION OF IMPORT PERMITS OF CERTAIN PRODUCTS

REF.: RIO A-18, RIO 608

EMBASSY BRASILIA CONCURS IN THE FOLLOWING MESSAGE:

1. THIS CABLE ATTEMPTS TO ANALYZE THE IMPACT OF THE GOB SUSPENSION OF IMPORT PERMITS FOR SOME 300 PRODUCTS OR PRODUCT CATEGORIES TAKEN IN RESPONSE TO CONTINUED UNSATISFACTORY PERFORMANCE IN THE BRAZILIAN TRADE ACCOUNT.

2. AS THE BRAZILIAN PRESS HAS BEEN QUICK TO POINT OUT, CACEX COMMUNIQUE NO. 543 OF FEBRUARY 6, 1976 ONLY SUSPENDS ISSUANCE OF IMPORT PERMITS FOR THE COVERED PRODUCTS. IMPORTS ARE NOT SPECIFICALLY PROHIBITED. IMPORTS MAY BE MADE UPON PAYMENT OF A 150 PERCENT FINE/TAX ON TOP OF WHATEVER CUSTOMS DUTIES, IMPORT DEPOSIT OR OTHER PAYMENTS REQUIRED FOR IMPORTS WITH A PERMIT. THE ADDITIONAL CHARGES, WHEN ADDED TO DUTIES ALREADY RANGING UP TO 205 PERCENT AND THE ONE YEAR IMPORT DEPOSIT REQUIREMENT, AMOUNT TO A DE FACTO BAN ON IMPORTS.

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3. BASED ON 1974 CACEX FIGURES (THE LATEST AVAILABLE) IT IS

NOT CLEAR THAT THE IMPORT PERMIT SUSPENSION WILL AFFECT US PRODUCTS MORE THAN IMPORTS FROM OTHER NON-LAFTA COUNTRIES. LAFTA ORIGIN IMPORTS WILL, HOWEVER, BE FAVORABLY AFFECTED THOUGH THE DEGREE CANNOT BE CALCULATED WITHOUT A COMPARISON OF THE PRODUCTS ON THE CACEX LIST AND THOSE PRODUCTS GRANTED SPECIAL TREATMENT BY BRAZIL AS A RESULT OF LAFTA NEGOTIATIONS. SUCH PRODUCTS ARE EXEMPT FROM BOTH CACEX COMMUNIQUE 543 AND THE IMPORT DEPOSIT REQUIREMENT. LAFTA-ORIGIN IMPORTS NOT IN BRAZIL'S NATIONAL LIST OR IN OTHER LAFTA CONCESSIONAL AGREEMENTS ARE, OF COURSE, SUBJECT TO COMMUNIQUE AND DEPOSIT.

4. IN 1974 TOTAL BRAZILIAN IMPORTS (LAFTA AND NON-LAFTA ORIGIN) OF PRODUCTS COVERED BY CACEX COMMUNIQUE NO. 543 WERE \$622.5 MILLION. OF THIS AMOUNT \$226.4 MILLION (OR 36.4 PERCENT) CAME FROM LAFTA COUNTRIES (WHICH AS NOTED ABOVE DOES NOT MEAN EXEMPTION FROM THE DEPOSIT OR PERMIT SUSPENSION; THIS DEPENDS ON THE LAFTA NATIONAL LIST). OF THE REMAINING \$396 MILLION IN 1974 IMPORTS ONLY \$85.513 MILLION (OR 21.6 PERCENT OF NON-LAFTA IMPORTS) CAME FROM THE UNITED STATES.

5. THE U.S. FIGURE IS LESS THAN MIGHT BE EXPECTED FROM AN ANALYSIS OF THE SOURCES OF ALL BRAZILIAN IMPORTS (OR EVEN ALL NON-PETROLEUM OR NON-LAFTA IMPORTS). GLOBALLY US ORIGIN IMPORTS AMOUNT TO ROUGHLY 34 PERCENT OF ALL NON-LAFTA, NON-OIL IMPORTS. AS NOTED ABOVE, US ORIGIN IMPORTS, BASED ON 1974 FIGURES, ARE SOME 21.6 PERCENT OF NON-LAFTA IMPORTS OF PRODUCTS COVERED BY THE PERMIT SUSPENSION. THUS, IT APPEARS UNLIKELY THAT THE UNITED STATES HAS BEEN RELATIVELY MORE AFFECTED, IN THE AGGREGATE, BY THE PERMIT SUSPENSION THAN OTHER NON-LAFTA COUNTRIES. INDEED, THE EVIDENCE MAY BE THE OTHER WAY.

6. IT IS CLEAR THAT THE US, AND OTHER NON-LAFTA COUNTRIES, ARE ADVERSELY AFFECTED BY THE FAVORITISM GRANTED SOME LAFTA IMPORTS. AS NOTED ABOVE, IT IS DIFFICULT TO JUDGE THE EXTENT WITHOUT DETAILED REFERENCE TO THE LAFTA NATIONAL LIST. HOWEVER, IT IS ALSO CLEAR THAT THERE IS A NEGATIVE EFFECT. APPLES AND PEARS ARE AN ALL TOO FAMILIAR EXAMPLE.

7. OR COURSE, THE FOREGOING DOES NOT MEAN THAT MANY INDIVIDUAL UNCLASSIFIED

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US ORIGIN PRODUCTS ARE NOT ADVERSELY, EVEN SERIOUSLY AFFECTED. THE FOLLOWING IS A LIST OF ALL 1974 IMPORTS OF AFFECTED PRODUCTS FROM THE US HAVING OVER \$400,000 IN VALUE (CIF):
FRUITS (7.731 MILLION), CORN (\$1.318), SORGHUM (\$464,000),
FLOUR (\$3.063 MILLION), BABY FOOD (\$5.03 MILLION, CANNED
VEGETABLES (\$441,000), VARIOUS MANUFACTURED PLASTIC PRODUCTS
(\$4.422 MILLION), VARIOUS RUBBER PRODUCTS (692,000),
WOODEN BARRELS (487,000), PAPER BAGS (1.63 MILLION), VARIOUS

SYNTHETIC TEXTILES (\$2.704 MILLION), KNITWEAR (449,000),
HATS (\$1.3 MILLION), WEARING APPAREL \$401,000), BED AND
TABLE LINEN (\$2.123 MILLION), ASBESTOS PRODUCTS (\$1.006 MILLION),
CAST IRON AND STEEL PRODUCTS (\$3.278 MILLION), MISC. METAL
PRODUCTS (\$2.358 MILLION), VENTILATORS AND EXHAUST FANS
(\$1.333 MILLION), CALCULATING MACHINES (\$5.647 MILLION),
TOILET FLUSHING DEVICES (\$2.313 MILLION), ELECTRIC HOUSEHOLD
APPLIANCES (\$671,000), MICROPHONES, LOUDSPEAKERS AND AMPLIFIERS
(\$1.011 MILLION), RADIO RECEIVERS AND PHONOGRAPHS (\$5.411 MILLION),
AUTOMOBILE CHASSIS (5.951 MILLION), WRIST WATCHES (\$1.586
MILLION), TAPE RECORDERS, ETC. (\$5.958 MILLION), FURNITURE
(\$426,000), HANDICRAFTS (\$881,000), TOYS (\$579,000), GAMES
(\$859,000) AND OFFICE SUPPLIES (\$798,000).
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